



Committee On Finance

Max Baucus, Ranking Member

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BAUCUS-REQUESTED REVIEW OF HEALTH SAVINGS ACCOUNTS SHOWS TRENDS, SAYS GOVERNMENT ACCOUNTABILITY OFFICE

New report examines early experiences, use of tax-advantaged accounts

Washington, DC – The Government Accountability Office has released a report requested by Senator Max Baucus (D-MT), on early experiences with health savings accounts (HSAs), tax-advantaged accounts first made available in 2004 which individuals can establish to pay for medical expenses. In the report, entitled “Consumer-Directed Health Plans: Early Enrollee Experiences with Health Savings Accounts and Eligible Health Plans,” GAO took the first government look at consumers’ early experiences of HSAs, using IRS data, national employer surveys, and data from three employers that provide a choice of HSA coverage to their employees. GAO reported that HSAs tend to “attract healthier individuals who use less health care or ... higher-income individuals with the means to pay higher deductibles and the desire to accrue tax-free savings.” Baucus said that Congress should factor in the report’s findings when considering proposed expansions of HSA programs.

“GAO has found that some Americans do find HSAs useful for both health care and tax purposes, but the early trends identified in this report indicate that further expanding HSAs likely will not have the desired effect of lowering health care costs and ensuring quality care for a significant number of people,” said Baucus. **“I’ll ask GAO to keep track of HSA trends and report back annually. Based on GAO’s findings right now, I would have to caution against counting on HSAs to advance real health care reform.”**

The report finds that more than half of those with HSAs earn \$75,000 a year or more, compared with 18 percent of all tax filers, and with 8.5 percent of those who had no health insurance at some point last year. It also notes that individuals with greater health needs would likely pay higher prices for health care financed through an HSA rather than through a traditional health care plan. It also suggests that despite hopes that the accounts would cause consumers to “shop smarter” for health care, HSAs have had little effect on account holders’ decisions about how much to spend for their health care.

Proponents of HSAs, including the Bush Administration, have suggested expanding the availability of the accounts by making the high-deductible health plan premiums tax-deductible, by raising the annual contribution amount limit, or other means.

The GAO report can be found online at <http://www.gao.gov/new.items/d06798.pdf>.

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